

Message Text

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16

ACTION NEA-10

INFO OCT-01 AF-04 ARA-06 EUR-12 EA-06 ISO-00 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-04 FPC-01

H-01 INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-01 FEA-01 IO-10 /113 W

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R 150915Z NOV 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 2240

INFO AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY LAGOS

AMEMBASSY MUSCAT

USMISSION OECD PARIS

AMEMBASSY QUITO

C O N F I D E N T I A L ABU DHABI 1564

BEIRUT FOR BAGHDAD; KUWAIT ALSO FOR DOHA

E.O. 11652: GDS

TAGS: ENRG, TC

SUBJ: GULF OIL MINI CONFERENCE

1. THERE IS MUCH FERMENT BEHIND THE SCENES IN OIL CIRCLES HERE
THAT UAE MAY HAVE ISOLATED ITSELF BADLY FROM REST OF OPEC BY
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AGREEING TO SUPPORT SAUDI PROPOSAL FOR NEW OIL PRICING ARRANGEMENTS.

RELIABLE ADNOC SOURCES TELL ME THAT TO A MAN ADNOC DIRECTORS (INCLUDING CHAIRMAN SHAIKH TAHNOON) WERE OPPOSED TO GIVING SUPPORT TO SAUDIS ON THIS PLAN AT THIS TIME, BUT WERE OVERRULED BY SHAIKH ZAYID HIMSELF. THEY ASSUME ZAYID'S DECISION STEMMED FROM COMMITMENT HE HAD GIVEN KING FAISAL AT RABAT FOR SUPPORT. MINISTRY OF PETROLEUM UNDER SECRETARY ISMAIL ALSO FEELS STRONGLY IT WAS MIS-TAKE TO SUPPORT YAMANI'S PLAN.

2. WHILE OTAIBA IS OUT OF TOWN, OTHER SENIOR MINPET AND ADNOC OFFICIALS ARE TALKING TO SHAIKH ZAYID IN EFFORT TO PERSUADE HIM THAT FOR UAE TO PUT DECISION INTO EFFECT PRIOR TO OPEC CONSIDERATION WOULD BE TO PREEMPT OTHER MEMBERS AND CAUSE BITTERNESS. HAD KUWAIT, IRAQ AND IRAN COME ALONG WITH SAUDIS PREEMPTION MIGHT HAVE AT LEAST HAD VIRTUE OF SUCCESS, BUT IT LOOKS NOW TO UAE OFFICIALS THAT SAUDIS HAVE SUCCEEDED IN CONNING UAE INTO JOINING THEM OUT ON LIMB WHICH MAY BE SAWED OFF AT NEXT OPEC MEETING. UNDER SECRETARY ISMAIL TOLD ONE OF MY COLLEAGUES THAT HE WOULD NOT BE SURPRISED IF IRANIAN RATHER THAN GULF CONFERENCE PROPOSAL WERE ADOPTED AT OPEC MEETING. ADNOC SOURCES TELL US THAT SINCE OTAIBA WAS REPRESENTING UAE AT GULF CONFERENCE DECISION WILL PROBABLY NOT BE PUT INTO EFFECT IN ABU DHABI UNTIL RATIFICATION BY UAE SUPREME COUNCIL, WHICH MAY NOT BE READILY FORTHCOMING. SOURCE THINKS THAT BY THE TIME OPEC MEETING CONVENES NEXT MONTH GULF CONFERENCE RESULTS, AS FAR AS UAE IS CONCERNED, MAY SLIP FROM QUOTE DECISION UNQUOTE TO QUOTE RECOMMENDATION UNQUOTE TO BE CONSIDERED ALONG WITH OTHER PROPOSALS.

3. DISSENSION WITHIN RANKS HERE, WHICH WE IMAGINE HAS PUT ZAYID HIMSELF SOMEWHAT ON DEFENSIVE, GIVES US OPPORTUNITY TO WEIGH IN WITH OUR VIEWS TO SOME EFFECT IF WE WANT TO DO THIS. PURPOSE WOULD BE TO ADD WEIGHT TO THOSE WITHIN UAE RECOMMENDING THAT UAE NOT CLOSE DOWN ITS OPTIONS BEFORE NEXT OPEC MEETING. IF WE DECIDE TO DO THIS, I SHOULD HAVE CLEAR INDICATION IN MY INSTRUCTIONS AS TO WHAT WE WOULD LIKE TO SEE UAE DO INSTEAD. IT SEEMS FOREGONE CONCLUSION THAT AT DECEMBER OPEC MEETING SOME ACTION WILL BE TAKEN TO NARROW GAP BETWEEN TAX PAID COST OF EQUITY CRUDE AND PRICE OF OIL CHARGED TO INDEPENDENT BUYERS. MOST OIL OFFICIALS HERE EXPECTED THIS TO BE ACHIEVED, HOWEVER, BY CAREFULLY WORKED-OUT FORMULA THAT WOULD MAINTAIN (BUT NOT RAISE) GOVERNMENT TAKE AND MAINTAIN (BUT NOT RAISE) OVERALL AVERAGE AVERAGE PRICE OF CRUDE OIL STREAM. SAUDI CONFIDENTIAL

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PROPOSAL CLEARLY RAISES THIS IN SHORT TERM (ALTHOUGH SOME OFFICIALS ARGUE THAT OVER LONGER PERIOD REDUCED PRICE OF GOVERNMENT OFFERINGS WILL EXERT DOWNWARD PRESSURE ON OIL PRICES. STERNER

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